

**TRI CONNECTIONS, INC.**

**FINANCIAL STATEMENTS  
AND REPORTS IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**FOR THE YEAR ENDED JUNE 30, 2005**

**TRI CONNECTIONS, INC.**  
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**JUNE 30, 2005**

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CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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**INDEPENDENT AUDITOR'S REPORT**

September 20, 2005

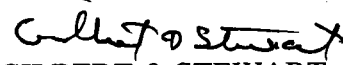
Board of Directors  
Tri Connections, Inc.  
Provo, UT

We have audited the accompanying statement of financial position of Tri Connections, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Tri Connections, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri Connections, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2005 on our consideration of Tri Connections, Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
GILBERT & STEWART  
Certified Public Accountants

**TRI CONNECTIONS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2005**

**ASSETS**

**Current Assets:**

Cash	\$ 222,074
Cash Restricted for Semiannual Bond Payment	27,852
Receivables:	
State Contracts	169,807
Client Fees	2,331
Other	1,122
Prepaid Expense	9,716
Total Current Assets	<u>432,902</u>

**Property and Equipment:**

Land	100,746
Office Building	450,340
Furniture and Equipment	158,880
Accumulated Depreciation	<u>(215,105)</u>
Total Property and Equipment	<u>494,861</u>

**Other Assets:**

Restricted Cash - Debt Reserve Funds	50,000
Deposits	<u>2,500</u>
Total Other Assets	<u>52,500</u>

Total Assets	<u><u>\$ 980,263</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts Payable	\$ 11,665
Accrued Payroll	70,856
Compensated Absences Liability	3,043
Payroll Tax Liabilities	5,786
Accrued Interest	14,864
Current Portion of Long-Term Debt	<u>15,000</u>
Total Current Liabilities	<u>121,214</u>

Long-Term Debt, less Current Portion	<u>505,000</u>
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Total Liabilities	626,214
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**Net Assets:**

Unrestricted	<u>354,049</u>
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Total Liabilities and Net Assets	<u><u>\$ 980,263</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Unrestricted Net Assets**

**Support and Revenue:**

State Contracts	\$ 1,856,169
Local Government Contracts	16,423
Client Rent	7,362
Other Revenue	32,305
Total Unrestricted Support and Revenue	<u>1,912,259</u>

**Expenses:**

Program Services:	
Community Supports	695,795
Supportive Living	222,001
Supported Employment	160,120
Family Support	131,620
Day Support	345,917
Summer Camp	10,024
Supporting Services:	
General and Administrative Costs	326,400
Total Expenses	<u>1,891,877</u>

Increase (Decrease) in Unrestricted Net Assets	20,382
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Net Assets - Beginning of Year	<u>333,667</u>
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Net Assets - End of Year	<u><u>\$ 354,049</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Program Services						Supporting Services	
	Community Supports	Supportive Living	Supported Employment	Family Support	Day Support	Summer Camp	Administrative	Total
Wages	\$ 581,758	\$ 184,995	\$ 124,275	\$ 104,647	\$ 232,037	\$ 7,432	\$ 87,016	\$ 1,322,160
Benefits	63,968	20,167	24,109	14,657	35,285	328	7,501	166,015
Professional Fees	17,057	3,600	3,026	2,250	6,300	-	42,648	74,881
Supplies	82	21	-	29	1,630	1,301	10,095	13,158
Occupancy	14,600	1,690	924	718	4,919	22	62,653	85,526
Furniture and Equipment	74	-	-	-	545	-	21,698	22,317
Travel	11,561	9,743	6,528	8,476	18,757	526	802	56,393
Conferences	-	-	75	-	-	-	877	952
Communication	-	-	-	-	-	-	27,623	27,623
Depreciation	5,233	1,602	961	747	11,705	-	12,368	32,616
Miscellaneous	1,462	183	222	96	736	415	47,118	50,232
Interest	-	-	-	-	34,003	-	6,001	40,004
Totals	\$ 695,795	\$ 222,001	\$ 160,120	\$ 131,620	\$ 345,917	\$ 10,024	\$ 326,400	\$ 1,891,877

*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<b>Cash Flows from Operating Activities:</b>	
Increase (Decrease) in Net Assets	\$20,382
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation	32,616
(Increase) Decrease in Deposits	(250)
(Increase) Decrease in Receivables	7,920
(Increase) Decrease in Prepaid Expense	(9,716)
Increase (Decrease) in Accounts Payable	(1,197)
Increase (Decrease) in Accrued Payroll	(8,343)
Increase (Decrease) in Compensated Absences	3,043
Increase (Decrease) in Payroll Tax Liabilities	254
Increase (Decrease) in Accrued Interest	(440)
Net Cash Provided (Used) by Operating Activities	<u>44,269</u>
<b>Cash Flows from Investing Activities:</b>	
Purchase of Furniture and Equipment	(21,150)
<b>Cash Flows from Financing Activities:</b>	
Payments on Long-term Debt	<u>(10,000)</u>
Net Increase (Decrease) in Cash	13,119
Cash - Beginning of Year	<u>236,807</u>
Cash - End of Year	<u><u>\$ 249,926</u></u>
<b>Supplemental Data:</b>	
Interest Paid	\$ 40,443

*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2005**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization – Tri Connections, Inc., (the Organization), is a Utah nonprofit organization, which incorporated June 24, 1991. The Organization provides services to individuals who have developmental disabilities. The Organization maintains the following program services: 1) community supports, 2) supportive living, 3) supported employment, 4) family support, 5) day support and 6) summer camp.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Support and Revenue – The Organization receives the majority of its support from state contracts. These funds are restricted for purposes in accordance with the terms of the contract with the State of Utah, Department of Human Services, Division of Services for People with Disabilities.

Contributions – The Organization classifies its net assets as unrestricted, temporarily restricted, or permanently restricted. The Organization reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets for time or purpose. When a donor restriction expires, that is, when the stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reports gifts of property and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used.

Receivables – Receivables are recorded with no provision for bad debts as the full amount is expected to be collected. The majority of receivables represent services performed for which payments are due from the State of Utah.

Expense Allocation – The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Direct costs are charged to programs. General and indirect costs are allocated to programs and administrative costs.

Property and Equipment – Property and equipment are stated at cost. Donated equipment is stated at fair market value at the date of donation. Depreciation is calculated on the straight-line method over estimated useful lives of 5 to 15 years for furniture and equipment and 40 years for the office building. Generally, assets over \$1,000 are capitalized while those under \$1,000 are expensed when acquired.

Cash and Cash Equivalents – The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.



**TRI CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2005**

**NOTE A – SUMMARY *(Continued)***

Estimates – The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and is classified as a public charity. The Organization is also exempt from state income and sales taxes.

**NOTE B – ECONOMIC DEPENDENCY**

The Organization receives the majority of its revenues as a service provider under contracts with the State of Utah, and is economically dependent on the continuation of these revenue sources. The Organization currently limits its services to people within the state of Utah.

**NOTE C – CONCENTRATION OF CREDIT RISK**

Cash includes amounts on deposit with local financial institutions. The June 30, 2005 book cash balance was \$299,926. The bank balance as of June 30, 2005 was \$308,326, of which \$100,000 is covered by FDIC insurance and \$52,509 is covered by SIPC.

**NOTE D – RESTRICTED ASSETS**

On April 1, 1997 the Organization entered into a bond agreement with a nonprofit organization of the State of Utah named the UARF 501(c) (3) Trust to finance the construction of a new office building. The office building was completed in December 1997. Additional tax exempt financing of \$50,000 was established at the same time. A temporarily restricted debt reserve fund is held in the trust by Zions Bank. The reserve account will be used to pay Tri Connection's share of principal on the 1997 Series UACS Tax Exempt Financing Bond. Principal payments will be made in August 2012 (\$5,208) and August 2022 (\$44,792).

The cash restricted for semiannual bond payment consists of monthly principal and interest deposits in Zions Bank on both the 1997 Series Clearfield City, Utah Mortgage Revenue Bonds and the 1997 Series UACS Tax Exempt Financing Bonds. Semiannually, the payments are made on the debts from the cash deposits in Zions Bank.

**TRI CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2005**

**NOTE E – LONG-TERM DEBT**

Long-term debt at June 30, 2005 consists of the following:

	<u>2005</u>
\$535,000 1997 Series Clearfield City, Utah Mortgage Revenue Bonds, principal due annually and semiannual interest at 7.70%, secured by building	\$470,000
\$50,000 1997 Series UACS Tax Exempt Financing Bonds, principal due 2012 and 2022 and semiannual interest at 7.70%, secured by escrow funds	<u>50,000</u>
Total long-term debt	520,000
Less current portion	<u>( 15,000)</u>
Long-term portion	<u>\$505,000</u>

Principal maturities are as follows over the next five years ending June 30:

2006	\$ 15,000
2007	15,000
2008	15,000
2009	15,000
2010	15,000
Thereafter	<u>445,000</u>
	<u>\$ 520,000</u>

**NOTE F – LEASE COMMITMENTS**

The Organization signed a new lease on an office suite in Provo, Utah subsequent to June 30, 2005. The lease is for three years and renewable after the three years are up. There is one copier lease for a 36 month term ending October 2, 2006. Future minimum payments committed to by the Organization are as follows over the next two years ending June 30:

2006	\$ 23,418
2007	<u>22,086</u>
Total	<u>\$ 45,504</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Tri Connections, Inc.  
Provo, UT

September 20, 2005

We have audited the financial statements of Tri Connections, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

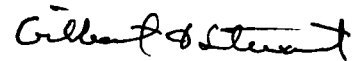
In planning and performing our audit, we considered Tri Connections, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tri Connections, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tri Connections, Inc. in a separate letter dated September 20, 2005.

This report is intended solely for the information and use of management, the board of directors and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART  
*Certified Public Accountant*